

**Testimony of Brian Chandler, Chief Financial Officer Great Falls Clinic  
Medicaid Reimbursement**

PUBLIC HEALTH, WELFARE & SAFETY  
Exhibit No. 3

Date 2-2-07  
513 354

Good afternoon. My name is Brian Chandler, and I am the Chief Financial Officer for the Great Falls Clinic. Great Falls Clinic is a multispecialty clinic comprised of approximately 130 providers with locations in Great Falls, Helena, Choteau, and Fairfield. In addition, many of our providers see patients periodically traveling to other communities such as Havre, Lewistown, Browning, and Shelby.

I am here to testify on behalf of the proposal made by the Montana Medical Association to increase the Medicaid reimbursement rate per relative value unit (RVU) paid for physician services in a non-hospital-based outpatient setting. My testimony today will focus on the implications of linking the rate of Medicaid reimbursement to a percentage of the Medicare reimbursement and not on the overall clinical and economic benefits associated with the increased rate of reimbursement cited by the Montana Medical Association.

Currently, if a physician performs an extensive examination and evaluation (billed under CPT 99214, lasting as much as thirty minutes of physician time) with a patient who has Medicaid coverage, he or she will receive \$66.64 for his or her professional services rendered. The level of services that are rendered by a physician and his or her staff to a patient covered by Medicaid are no different from those that are provided to a patient with insurance. The expenses that are associated with that visit include:

Salaries and benefits	\$ 23.16
Occupancy-related	8.52
Billing, collection, transcription, and medical records	7.10
Malpractice	2.18
Other	3.69
Total	<u>\$ 44.65</u>

This leaves \$21.99 of compensation for the physician for his or her services.

Under the proposed Medicare regulations, reimbursement for services is anticipated to decrease by approximately 4.5 percent on an annual basis under the Sustainable Growth Rate provisions of Medicare. In December 2006, the US Congress reversed the scheduled decrease to have occurred for 2007; however, no increases were instated either. Reimbursement rates per RVU continue to remain flat for the third year in a row.

From an expense standpoint, salaries and benefits for nurses and other supporting staff such as medical receptionists and business office personnel have increased. The Great Falls Clinic has experienced an approximately three percent annual increase in salaries in recent years and is anticipated to experience a four percent increase in 2007 to keep pace with inflation and market conditions.

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Other expenses associated with the operation of a basic Clinic have increased at a rate of 3.5 percent on an annual basis.

Expenses associated with operating an outpatient clinic, to a great extent, are not controllable by a physician and do not vary based upon decreases in reimbursement. Employees expect that their rates of pay will increase on an annual basis, at a minimum, to keep pace with increases in the cost of living. Employees certainly do not anticipate nor will they accept a decrease in their rates of pay. A physician has to be able to offer competitive salaries and benefits to attract and retain personnel to assist in the provision of quality medical care.

Expenses other than salaries and benefits are also outside the control of the physician. Expenses associated with the physical facilities, supplies, utilities, telephone, business office operations, and malpractice will not decrease because Medicaid reimbursement is not sufficient to maintain the operations of a Clinic.

Based upon the proposal that has been made by the Department of Health and Human Services to link Medicaid reimbursement to a percentage of Medicare reimbursement, by fiscal 2010, a physician will earn less from an encounter with a Medicaid patient than the nurse who is supporting him or her. By fiscal year 2011, the physician's earnings on a Medicaid patient encounter will be less than the current minimum wage.

The alternatives to a physician who provides services to patients that are covered by Medicaid in Montana will be to:

- Limit the number of patients that are seen with Medicaid coverage.
- Discontinue participating in the Medicaid program.

Both of these alternatives have negative impacts on the overall cost of the Medicaid program in Montana. Currently, according to the Montana Medical Association, 39 percent of primary care physicians in Montana currently limit the number of Medicaid patients seen or do not participate in the Medicaid program at all. If additional physicians either limit the number of Medicaid patients that are seen or discontinue participating in the Medicaid program, then these patients will not seek care until symptoms become emergent and they present to a more expensive hospital emergency room encounter – a situation that could potentially be avoided if the patient had access to care earlier on an outpatient basis. A delay of or inability for access to a physician in the office could also result in increased inpatient admissions associated with complications that could have been diagnosed and treated earlier in an outpatient setting.

This is a reality that should be addressed by the State of Montana on a proactive basis. I have worked in larger metropolitan areas in which physicians that treat Medicaid and Medicare patients have either closed their practices to new patients with such coverage or have discontinued participation altogether. Most

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of the physicians in the Great Falls Clinic have not limited access to patients with such coverage (although some of our primary care physicians in Helena have closed their practices to new Medicaid patients) but would have to consider this long-term under the current proposals if the Clinic is to recruit new and retain existing physicians. Aside from the overall economic benefits cited by the Montana Medical Association with linking reimbursement with the top three insurers in the State of Montana, the negative implications of linking reimbursement to a percentage of Medicare reimbursement is detrimental to the overall economy of the State of Montana, the cost of the Medicaid program, and, most importantly, patient care. Recruitment of quality physicians to Montana is challenging at best to find qualified professionals that appreciate the personal aspects of our rural environment, lifestyle, and people. Montana must be competitive on a national basis in providing our physicians with a competitive earning potential; otherwise, overall patient care, even beyond the Medicaid population, will suffer.

# MONTANA MEDICAID

## Example of Per-Patient Encounter - Medicaid tied to Medicare Reimbursement Changes

	2006	2007	2008	2009	2010	2011
Revenues	66.64	66.11	63.14	60.29	57.58	54.99
Expenses						
Salaries and Benefits	23.16	23.86	24.57	25.31	26.07	26.85
Occupancy	8.52	8.77	9.04	9.31	9.59	9.87
Billing, Collection, Transcription	7.10	7.31	7.52	7.75	7.99	8.23
Malpractice	2.18	2.24	2.31	2.38	2.45	2.53
Other	3.69	3.81	3.93	4.05	4.16	4.29
Total Expenses	44.65	45.99	47.37	48.80	50.26	51.77
Net	21.99	20.12	15.77	11.49	7.32	3.22

### Assumptions:

Encounter = 99214 (Medicare encounter - 30 minutes)  
 Annual Medicare/Medicaid revenue decrease = 4.5%  
 Annual salary increase = 3.0%  
 Annual expense increase other than salary = 3.5%